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October 15, 2007

Linda Ketellapper, SFD-7-5
U.S. Environmental Protection Agency
Region IX
Superfund Division
75 Hawthorne Street
San Francisco, CA 94105

VIA FACSIMILE AND CERTIFIED MAIL

Re: 104(e) Request for Information-Omega Superfund Site
Real Property at 8311 Sorensen Avenue, Santa Fe Springs, CA

Dear Ms. Ketellapper:

On behalf of Thiem Industries, Inc., and pursuant to my earlier conversation with Mr. Steve Berninger, USEPA, who confirmed a thirty day extension in the response time until October 15, 2007, I am pleased to enclose the response to your request dated August 13, 2007.

The specific answers to the questions are shown on the attached enclosure. We trust you will find these responses satisfactory, that you will have no further questions of us, and that no additional response on our part will be necessary. However, in the event that you do have questions, we would, of course, be pleased to discuss our responses with you in greater detail regarding the property at 8311 Sorensen Avenue and the relationship of Thiem Industries, Inc., to that property. As indicated on the attached, we do not believe COUGHMOT VII, LLC, has any responsibility for the site. We trust you will agree.

Once again, we thank the EPA for the extension in time to respond. We look forward to further discussion with you to resolve any remaining items, if necessary. Thank you.

Sincerely,

SONNENSCHN NATH & ROSENTHAL LLP

By:



Frank H. Hackmann

Enclosure

cc: Donald K. Jackson (w/encl.)
Steve Berninger, EPA ORC (w/encl.)
R. Matt Garms, Sonnenschein (w/encl.)

23231375/V-4

October 15, 2007

ENCLOSURE B: QUESTIONS

1. State the full legal name, address, telephone number, position(s) held by and tenure of the individual(s) answering any of these questions on behalf of "THIEM INDUSTRIES, INC. corporate predecessor to Coughmot VII, LLC ...", concerning real property located at 8311 Sorensen Avenue, Santa Fe Springs, CA (the "Property").

RESPONSE:

Craig Yuen
Chief Financial Officer
Northstar Aerospace, Inc.
6006 W. 73rd Street
Bedford Park, Illinois 60638
Phone: 708-728-2121

2. Identify and explain the present corporate status (e.g., active, suspended, defunct, merged or dissolved) of your business and any and all of your predecessors, subsidiaries, affiliated businesses or commercial enterprises, including any entity operating or doing business as Thiem Industries, Inc., that operates or operated at the Property, as well as the current and all former business forms used by such entity or entities (e.g., sole proprietorship, general partnership, limited partnership, joint venture or corporation). State the entire time period during which such entity or entities operated under each separate business form.
 - a. Provide the date each entity identified above was incorporated, formed or organized and identify the State in which the business was incorporated, formed or organized. Provide a copy of the Articles of Incorporation, Partnership Agreement, Articles of Organization or any other documentation demonstrating the particular business form, together with any and all amendments, for all business forms under which each entity identified above is or was ever operated.
 - b. Identify all fictitious business names, assumed names or names under which you or any of your predecessors, subsidiaries, operating divisions, plants or branches conducted business at the Property and identify the time period during which each business operated at the Property. Provide a copy of the Fictitious Business Name Statement(s) filed with the county in which each entity is or was doing business.
 - c. Identify and explain any and all sales of your company's assets and those of any entity identified in this question and its subparts if the sale represented a sale of substantially all of the assets of the business. Identify and explain any investments in another business, company or corporation equating to 5% or more of the business, for each entity identified above, from the formation of each as a business to the date of this letter. Provide all documents governing any transactions you identify in response to this request.

- d. Identify and explain any and all mergers involving you, Thiem Industries, Inc., or any and all of the entities identified above. Provide all documents governing any merger(s) you identify in response to this request.

RESPONSE:

Confirming the discussions environmental counsel, Frank Hackmann, Sonnenschein, Nath & Rosenthal (314-259-5804) had with Mr. Steve Berninger previously, Thiem Industries, Inc. ("Thiem") is pleased to provide a brief summary answer to this question 2 which it believes will meet EPA's needs.

This summary addresses the purchase and sale of the assets in question.

Thiem was purchased from the Thiem family pursuant to a Purchase Agreement dated April 1, 1988 by Derlan Industries ("Derlan"), a Delaware corporation (papers available). At the time of the purchase, the business conducted at 8311 Sorrenson Avenue consisted of the Fueling Products Division operations.

The business was sold September 23, 1993 (closing date) to Whittaker Controls, Inc. ("Whittaker"). The sale consisted of the assets of the Fueling Products Division. The Asset Purchase Agreement dated September 15, 1993, is available ("1993 Sale Agreement").

This 1993 Sale Agreement included a sublease to Whittaker for the 8311 Sorrenson Avenue location for six months. The Master Lease expiration date was June 30, 1996, with an option to extend until June 30, 1999. The Master Lease was from the Thiem Family Trust (copies available).

After the sale to Whittaker, other unrelated Derlan assets were sold to various buyers and ultimately, on June 4, 2002, Thiem was merged with Coughmot VII, LLC ("Coughmot").

Because it is believed that this information will meet EPA's needs under the circumstances, we have not included the various other corporate documents and information referenced in Question 2.

3. State whether you or Thiem Industries, Inc. are past or current owners of the Property. If so, provide a copy of the deed or other recorded instrument of conveyance evidencing ownership of the Property. As part of your response, identify the dates you or Thiem Industries, Inc. owned the Property.

RESPONSE:

As noted above, the property was never owned by Thiem, Derlan or Coughmot.

4. If you or Thiem Industries, Inc. are the current or past owner of the Property, and if at any time during your or Thiem Industries, Inc.'s ownership of such address you or Thiem Industries, Inc. rented or leased the Property to any individuals or entities, provide the name of such individuals or entities, the respective dates you or Thiem Industries, Inc. rented or leased to each individual or entity and a copy of the lease(s), rental agreement(s), and/or any other document(s) governing each leasehold relationship.

RESPONSE:

As noted above, the property was never owned by Thiem, Derlan or Coughmot. The subject property was leased to Thiem under a Master Lease and was then subleased to Whittaker on a six-month sublease expiring March 23, 1994, as part of the sale to Whittaker. The Master Lease expiration date was June 30, 1996, unless extended until June 30, 1999.

5. Identify all individuals or entities that owned the Property prior to or subsequent to its ownership by Thiem Industries, Inc. and provide the name, address and phone number of those individuals or entities.

RESPONSE:

As noted above, the property was never owned by Thiem, Derlan or Coughmot. At the time Thiem was purchased, the property at 8311 Sorrenson was owned by the Hannah Family Trust, Robert S. Hannah and Mary Lue Hannah as Trustees and under a Master Lease. A copy of the sublease is enclosed, as is a copy of the Master Lease. The owner address(es) and phone number(s) are not readily available.

6. State whether you are currently operating at the Property or have ever operated there in the past (including the operations of Thiem Industries, Inc.). If so, identify the dates you and/or Thiem Industries, Inc. operated at the Property. If you and/or Thiem Industries, Inc. were not the owner of the facility address at any time during your and/or Thiem Industries, Inc.'s period of operations there, provide a copy of the lease(s), rental agreement(s) or any other document(s) that establish(es) your and/or Thiem Industries, Inc.'s relationship to the Property.

RESPONSE:

As noted, Thiem operated the property at 8311 Sorenson Avenue from April 1, 1988 until September 23, 1993 as outlined above. A copy of the sublease is enclosed, as is a copy of the Master Lease.

7. Provide a list of employees who had knowledge of the use and disposal of hazardous substances at the Thiem Industries, Inc. facility at the Property during the entire time period that Thiem Industries, Inc., or any of its predecessors, successors, subsidiaries, affiliates, contractors, trustees, assigns or agents, was associated with this facility. For each employee listed, provide the following information:

- a. The employee's full name;
- b. The employee's current or last known address(es) and telephone number(s), including the last known date on which you believe each address and telephone number was current;
- c. The employee's Social Security Number;
- d. Identify the entire time period that the employee worked at the facility; and
- e. The position(s) the employee held with each business entity during his or her entire period of employment at the facility and the year or years that the employee held each listed position.

The name(s) of employees who may have the knowledge referenced are listed below.

<u>Name</u> <u>S.S. Number</u>	<u>Last known address/</u> <u>Phone Number</u>	<u>Position/</u> <u>Time Period</u>
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RESPONSE:

Coughmot has no current employees. Coughmot is not aware of employees who worked at the property before the business was sold and who have knowledge of the use and disposal of hazardous substances at the Property.

8. Identify and explain all of your and/or Thiem Industries, Inc.'s business operations at the Property, including such information as the size of the facility, number of employees, dates of operation, product(s) manufactured and a description of the daily activities. Include a historical perspective of all changes in operations over time. In addition, provide a scaled map of the facility, which includes the locations of significant buildings and features. Indicate the locations of any maintenance shops, hazardous material or waste storage area(s), machine shops, degreasers, liquid waste tanks, clarifiers, chemical storage tanks and fuel tanks. Provide a physical description of the facility and identify the following:
 - a. Surface structures (e.g., buildings, tanks, containment and/or storage areas, etc.);
 - b. Subsurface structures (e.g., underground tanks, sumps, pits, clarifiers, etc.):
 - c. Groundwater and dry wells, including drilling logs, date(s) of construction or completion, details of construction, uses of the well(s), date(s) the well(s) was/were abandoned, depth to groundwater, depth of well(s) and depth to and of screened interval(s);
 - d. Past and present stormwater drainage system and sanitary sewer system, including septic tank(s) and subsurface disposal field(s);

- e. Any and all additions, demolitions or changes of any kind to physical structures on, under or about the facility or to the property itself (e.g., excavation work), and state the date(s) on which such changes occurred; and
- f. Indicate the location of all waste storage or waste accumulation areas, waste disposal areas, dumps, leach fields, bum pits and any other disposal locations.

RESPONSE:

As part of the preparation of this response, we arranged for an EDR record report on the subject facility. While this report is too voluminous to attach, it indicates that the facility had both a RCRA generator number and a TSD number, both of which indicated that solvents were either recycled at the facility or sent off site for recycling. Additionally, there was an indication that oil water separator sludge was sent off site for recycling. The information available did not specifically identify the exact solvents involved. However, as far as we know, there were no significant problems associated with the facility. There was a reference to an underground storage tank leak which appears to have been satisfactorily addressed. Should additional information be necessary, we would be pleased to provide the full EDR report.

- 9. Have you and/or Thiem Industries, Inc. ever or do you currently use, manufacture, produce, or generate any hazardous substances/materials/waste in the operations at the Property? If your answer is anything other than an unqualified "no" for the entire period since 1950:
 - a. Identify the trade or brand name, chemical composition, and quantity used for each chemical or hazardous substance, and the relevant Material Safety Data Sheet for each product, and its period of use;
 - b. Describe the process in which the hazardous substance is or was used, manufactured, generated or produced (including any current or discontinued processes);
 - c. The location(s) where each chemical or hazardous substance is or was used, stored and disposed of. In addition, identify the kinds of wastes (e.g., scrap metal, construction debris, motor oil, solvents, waste water), quantities and methods of disposal for each chemical or hazardous substance;
 - d. Describe the waste streams from any process in which any such hazardous substance is, or was used, manufactured, generated or produced;
 - e. Provide copies of any permits for storage, treatment, or disposal of any waste stream from any process in which any hazardous substance is, or was used, manufactured, generated, or produced;
 - f. Provide copies of all hazardous material business plans and chemical inventory forms (originals and updates) submitted to city, county and/or state agencies; and

- g. Provide copies of all manifests governing hazardous substances generated by your operations at the Property.

RESPONSE:

As noted above, certain historical information available online and from EDR indicates that there was a California RCRA Generation Number associated with this address. We can provide the full report if necessary.

A review of Thiem records has not located records specifically responsive to Question 9 as of the time of this response.

10. Provide copies of all technical or analytical environmental information, including, but not limited to, any known releases of hazardous substances to any media (soil, water or air) and any data and documents related to soil, water (ground and surface), geology, hydrogeology, soil sampling, soil gas sampling or air quality on or at the Property. As part of your response, include any and all letters of enforcement from any regulatory agency concerning operations or events at the Property and inspection notes, citizen complaints, letters of enforcement from any regulatory agency and formal notices of violation.

RESPONSE:

On information and belief, there were no known releases at the property during our occupancy period.

However, we have not "Cross-checked" historical reports to the state of California associated with the address, other than to review the EDR report as noted above.

11. Provide copies of all information and documentation related to approval of any remediation or cleanup activities conducted during your ownership or operations at the Property.

RESPONSE:

On information and belief, there were no clean ups at the site conducted by Thiem during the time of its involvement at the facility, 1988-1993. The leaking underground incident apparently occurred after our occupancy, involved gasoline, and appears to have been satisfactorily resolved.

CONCLUSION

In addition to inquiring of current employees, none of whom have any direct experience with former Thiem operations, we reviewed those records in outside storage believed most likely to contain relevant information. However, none of those boxes of records contained relevant information.

October 15, 2007

Further, we looked for records related to off-site shipment of hazardous waste and on-site storage of chemicals (Form R and SARA 313 reports). No such documents are available from our file records, although there is an indication that Thiem had a generator ID number pursuant to which Thiem recycled waste on site or sent waste off site to a recycler.

Finally, we ordered a title search on the property which disclosed no further useful information other than outlined herein.

As noted previously, many of these questions were overly broad under the particular circumstances of Thiem's involvement at the property, 8311 Sorenson, as they seemed to seek information not relevant to the particular involvement Thiem had with the property. However, Thiem is desirous of maintaining good relations with the USEPA and would, therefore, welcome a further discussion with the USEPA should that be necessary to resolve any remaining issues.

We trust we have provided you the information you now require. Please call with any questions or comments. Thank you for your attention to this matter.

[8311 Sorenson,
Santa Fe Springs, CA]

SUBLEASE

1. **Parties.** This Sublease, dated, for reference purposes only, September 23, 1993, is made by and between THIEM INDUSTRIES, INC., a California corporation (herein called "Sublessor") and WHITTAKER CONTROLS, INC., a California corporation (herein called "Sublessee"). This Sublease is made pursuant to that certain Asset Purchase Agreement dated as of September 15, 1993 (the "Agreement") between the parties hereto.

2. **Premises.** Sublessor hereby subleases to Sublessee and Sublessee hereby subleases from Sublessor for the term, at the rental, and upon all of the conditions set forth herein, the Premises (as defined in the Master Lease referred to below).

3. **Term.** The term of this Sublease shall be month-to-month for up to six (6) months commencing on September 23, 1993 unless sooner terminated pursuant to any provision hereof (the "Term"). With 30 days' prior written notice, Sublessee may terminate this Sublease at the end of any such monthly period.

4. **Rent.** Sublessee shall pay to Sublessor as rent for the Premises during the Term, monthly payments of \$7,500, in advance, on the 23rd day of each month. However, if Sublessee fails to vacate the Premises and remove all of its property from the Premises during the Term, then, in addition to all other remedies of Sublessor, Sublessee shall pay rent to Sublessor in an amount equal to the full monthly rent payable by Sublessor pursuant to Paragraph 4 of the Master Lease (defined below) for each monthly period (or any portion thereof) subsequent to the Term during which Sublessee is in possession of the Premises or during which any of its property remains on the Premises. Rent shall be payable monthly in advance in lawful money of the United States to Sublessor or to such other persons and at such places as Sublessor may designate in writing.

5. **Master Lease.**

5.1 Sublessor is the lessee of the Premises under the lease dated May 5, 1993 and attached hereto as Exhibit A (the "Master Lease") between Sublessor and Robert S. Hannah and Mary Lue Hannah, husband and wife, as Trustees under the Hannah Family Trust (the "Master Lessor").

5.2 This Sublease is and shall be at all times subject and subordinate to the Master Lease.

5.3 The terms, conditions and respective obligations of Sublessor and Sublessee to each other under this Sublease shall be the terms and conditions of the Master Lease except for those provisions of the Master Lease which are directly contradicted by this Sublease or the Agreement in which event the terms of this Sublease shall control over the Master Lease. Therefore, for purposes of this Sublease, wherever in the Master Lease the word "Lessor" is used it shall be deemed to mean the Sublessor herein and wherever in the Master Lease the word "Lessee" is used it shall be deemed to mean the Sublessee herein.

5.4 During the Term of this Sublease and for each monthly period thereafter during which Sublessee is in possession of the Premises or during which any property of Sublessee remains on the Premises, Sublessee does hereby expressly assume and agree to perform and comply with, for the benefit of Sublessor and Master Lessor, each and every obligation of Sublessor under the Master Lease except for the following paragraphs which are excluded therefrom: 3 (Term); 4 (Rent) except as provided in paragraph 4 of this Sublease; 5 (Security Deposit); 6.3 (Condition of Premises); 7.1 (Lessee's Obligations); 7.2 (Lessor's Obligations); 8.3 (Property Insurance); 10.1 (Payment of Taxes); 48 (re: security deposit); 49 (Condition of Premises); 50 (Maintenance and Repair); 51 (Restoration of Premises) and 52 (Option to Extend Lease). In addition to the foregoing, (a) Sublessee hereby accepts the Premises in their condition existing as of the date hereof, subject to all applicable zoning, municipal, county and state laws, ordinances and regulations governing and regulating the use of the Premises, and any covenants or restrictions on record, and accepts this Sublease subject thereto and to all matters disclosed thereby and by any exhibits attached thereto, and Sublessee acknowledges that neither Sublessor nor the Master Lessor has made any representation or warranty as to the present or future suitability of the Premises for the conduct of Sublessee's business; (b) on the last day of the Term hereof, or on any sooner termination, Sublessee shall surrender the Premises to Sublessor in the same condition as when received, ordinary wear and tear excepted, clean and free of debris, and Sublessee shall repair any damage to the Premises occasioned by the installation or removal of Sublessee's trade fixtures, furnishings and equipment or otherwise by any act or omission of Sublessee, and notwithstanding anything to the contrary, Sublessee shall leave the airlines, power panels, electrical distribution systems, lighting fixtures, space heaters, air conditioning, plumbing and fencing on the Premises in an operating condition at least as good as exists on the date hereof; and (c) Sublessor shall pay the real property tax applicable to the Premises, and Sublessee shall reimburse Sublessor its appropriate share of such taxes as equitably pro rated to cover only the period of time within the tax fiscal year during which this Sublease shall be in effect.

5.5 The obligations that Sublessee has assumed under paragraph 5.4 hereof are hereinafter referred to as the "Sublessee's Assumed Obligations". The obligations that Sublessee has not assumed under paragraph 5.4 hereof are hereinafter referred to as the "Sublessor's Remaining Obligations".

5.6 Sublessee shall hold Sublessor free and harmless of and from all liability, judgments, costs, damages, claims or demands, including reasonable attorneys fees, arising out of Sublessee's failure to comply with or perform Sublessee's Assumed Obligations.

5.7 Sublessor agrees to maintain the Master Lease during the Term of this Sublease, subject, however, to any earlier termination of the Master Lease without the fault of the Sublessor, and to comply with or perform Sublessor's Remaining Obligations and to hold Sublessee free and harmless of and from all liability, judgments, costs, damages, claims or demands arising out of Sublessor's failure to comply with or perform Sublessor's Remaining Obligations.

5.8 Sublessor represents to Sublessee that the Master Lease is in full force and effect and that to the best of its knowledge no default exists on the part of any party to the Master Lease.

5.9 Sublessor hereby agrees to indemnify and hold the Sublessee harmless from any and all claims, judgments, damages, penalties, fines, costs, liabilities or losses to the extent the same arise from any release on or from the Premises of any hazardous or toxic material or substance regulated by any federal, state, or local government authority (a "Hazardous Material"), whether now known or hereafter discovered and whether or not arising from Sublessee's use of any process piping or other system currently used in the Business and in place at the commencement of Sublessee's tenancy; provided, however, that, if as a result of (a) an act or omission of Sublessee, other than the proper use of any existing system as hereinabove provided and in a manner that is not negligent and does not involve willful misconduct, or (b) an act or omission of any third party during Sublessee's tenancy, there is a release of any Hazardous Material on or from the Premises, the foregoing indemnity shall not apply and Sublessee shall promptly take any clean up and other actions at its expense as are necessary to remediate such condition and shall indemnify and hold Sublessor harmless against third parties with respect thereto. Without limiting the generality of the foregoing, Sublessor's and Sublessee's indemnification as provided herein shall specifically cover all costs incurred in connection with any investigation or monitoring of site conditions and of any clean up, remedial action, removal, or restoration work required by any federal, state, or local government authority or political subdivision thereof due to the


presence or suspected presence of any Hazardous Material in the soil or groundwater on or under the Premises.

6. **Attorney's Fees.** If any party named herein brings an action to enforce the terms hereof or to declare rights hereunder, the prevailing party in any such action, on trial and appeal, shall be entitled to his reasonable attorney's fees to be paid by the losing party as fixed by the court.

IN WITNESS WHEREOF, the parties duly execute this Sublease as of the day first written above.

"SUBLESSOR"

THIEM INDUSTRIES, INC., a
California corporation

By 
Robert D.D. Forbes
Authorized Representative

"SUBLESSEE"

WHITTAKER CONTROLS, INC., a
California corporation

By 
GORDON J. LOUTTIT
VICE PRESIDENT

5/13/93

EXHIBIT A

STANDARL INDUSTRIAL LEASE - NET

AMERICAN INDUSTRIAL REAL ESTATE ASSOCIATION



1. Parties. This Lease, dated, for reference purposes only, May 5, 1993, is made by and between ROBERT A. HANNAH and MARY LEE HANNAH, Husband and Wife, as Trustees under the HANNAH FAMILY TRUST (herein called "Lessor") and THEM INDUSTRIES, INC., a California Corporation, (herein called "Lessee")

2. Premises. Lessor hereby leases to Lessee and Lessee leases from Lessor for the term, at the rental, and upon all of the conditions set forth herein, that certain real property situated in the County of Los Angeles State of California, commonly known as Bill Sorannon, Santa Fe Springs, California 90670, and described as shown on Parcel Map No. 4533 in Book 50, Page 23 of Parcel Maps in the Office of the County Recorder of said County, consisting of 43,097 square feet, together with improvements consisting of approximately 20,000 square feet, of which approximately 4,500 square feet comprises office building including the building improvements, said real property including the land and all improvements thereon, is herein called "the Premises"

3. Term.

3.1 Term. The term of this Lease shall be for Three (3) years commencing on July 1, 1993 and ending on June 30, 1996 unless sooner terminated pursuant to any provision hereof, - subject to Paragraph 5.2

3.2 Delay in Possession. Notwithstanding said commencement date, if for any reason Lessor cannot deliver possession of the Premises to Lessee on said three (3) year term, Lessee shall not be subject to any liability therefor, nor shall such failure affect the validity of this Lease or the obligations of Lessee hereunder or extend the term hereof, but in such case, Lessee shall not be obligated to pay rent until possession of the Premises is tendered to Lessee; provided, however, that if Lessor still not have delivered possession of the Premises within sixty (60) days from said commencement date, Lessee may, at Lessee's option, by notice in writing to Lessor within ten (10) days thereafter, cancel this Lease, in which event the parties shall be discharged from all obligations hereunder; provided further, however, that if such written notice of Lessee is not received by Lessor within said ten (10) day period, Lessee's right to cancel this Lease hereunder shall terminate and be of no further force or effect.

3.3 Early Possession. If Lessee occupies the Premises prior to said commencement date, such occupancy shall be subject to all provisions herein, and Lessee shall pay rent for such period at the initial monthly rental rate set forth below.

4. Rent. Lessee shall pay to Lessor, as rent for the Premises, monthly payments of \$7,600 in advance, on the 1st day of each month of the term hereof, subject to adjustment after the first year of said term per paragraph 5.1.

Rent for any period during the term hereof which is for less than one month shall be a pro rata portion of the monthly installment. Rent shall be payable in lawful money of the United States to Lessor at the address stated herein or to such other persons or at such other places as Lessor may designate in writing.

5. Security Deposit. Lessee shall deposit with Lessor upon execution hereof REAR PAY 40 as security for Lessee's faithful performance of Lessee's obligations hereunder. If Lessee fails to pay rent or other charges due hereunder, or otherwise defaults with respect to any provision of this Lease, Lessor may use, apply or retain all or any portion of said deposit for the payment of any rent or other charges in default or for the payment of any other sum in which Lessor may become obligated by reason of Lessee's default, or in compensation for any loss or damage which Lessor may suffer thereby. If Lessor so uses or applies all or any portion of said deposit, Lessee shall within ten (10) days after written demand therefor deposit cash with Lessor in an amount sufficient to restore said deposit to the full amount hereinabove stated and Lessee's failure to do so shall be a material breach of this Lease. If the monthly rent shall, from time to time, increase during the term of this Lease, Lessee shall thereupon deposit with Lessor additional security deposit so that the amount of security deposit held by Lessor shall at all times bear the same proportion to current rent as the original security deposit bears to the original monthly rent set forth in paragraph 4 hereof. Lessor shall not be required to keep said deposit separate from its general accounts. If Lessee performs all of Lessee's obligations hereunder, said deposit, or so much thereof as has not theretofore been applied by Lessor, shall be returned, without payment of interest or other increment for its use, to Lessee (or, at Lessee's option, to the last assignee, if any, of Lessee's interest hereunder) at the expiration of the term hereof, and after Lessee has vacated the Premises. No trust relationship is created herein between Lessor and Lessee with respect to said Security Deposit.

6. Use.

6.1 Use. The Premises shall be used and occupied only for manufacturing, testing, sales, and distribution of aircraft ground fueling valves or any other use which is reasonably comparable and for no other purpose.

6.2 Compliance with Law.

(a) Lessee warrants to Lessor that the Premises, in its state existing on the date that the Lease term commences, but without regard to the use for which Lessee intends to use the Premises, does not violate any applicable building code, ordinance, regulation, rule, or restriction of record, or any applicable building code, ordinance, regulation, rule, or restriction of record, in the event it is determined that this warranty has been violated, then it shall be the obligation of the Lessor, after receipt of written notice from Lessee, to promptly, at Lessor's sole cost and expense, rectify any such violation. In the event Lessee does not give to Lessor written notice of the violation of this warranty within six months from the date that the Lease term commences, the correction of same shall be the obligation of the Lessee at Lessee's sole cost. The warranty contained in this paragraph 6.2 (a) shall be of no force or effect, if, prior to the date of this Lease, Lessee was the owner or occupant of the Premises, and, in such event, Lessee shall correct any such violation at Lessee's sole cost.

(b) Except as provided in paragraph 6.2 (a), Lessee shall, at Lessee's expense, comply promptly with all applicable statutes, ordinances, rules, regulations, orders, decrees and resolutions of record, and requirements in effect during the term of this Lease, and, in such event, Lessee shall be liable for the cost of same. Lessee shall not use nor permit the use of the Premises in any manner that will tend to disturb such other tenants.

6.3 Condition of Premises.

(a) Lessee shall deliver the Premises to Lessee clean and free of debts on Lease commencement date (unless Lessee is already in possession) and Lessor warrants to Lessee that the plumbing, lighting, air conditioning, heating and loading docks in the Premises shall be in good operating condition on the Lease commencement date. In the event that it is determined that this warranty has been violated, then it shall be the obligation of Lessor, after receipt of written notice from Lessee, to promptly, at Lessor's sole cost and expense, rectify any such violation. In the event Lessee does not give to Lessor written notice of the violation of this warranty within six months from the date that the Lease term commences, the correction of same shall be the obligation of the Lessee at Lessee's sole cost. The warranty contained in this paragraph 6.3 (a) shall be of no force or effect, if, prior to the date of this Lease, Lessee was the owner or occupant of the Premises.

(b) Except as otherwise provided in this Lease, Lessee hereby accepts the Premises in their condition existing as of the Lease commencement date or the date that Lessee takes possession of the Premises, whichever is earlier, subject to all applicable zoning, municipal, county and state laws, ordinances and regulations governing and regulating the use of the Premises, and any covenants or restrictions of record, and accepts this Lease subject thereto and in all matters disclosed thereby and by any exhibits attached hereto. Lessee acknowledges that neither Lessor nor Lessor's agent has made any representation or warranty as to the present or future suitability of the Premises for the conduct of Lessee's business. Subject to Paragraph 6.3

7. Maintenance, Repairs and Alterations.

7.1 Lessee's Obligations. Lessee shall keep in good order, condition and repair the Premises and every part thereof, structural and non structural, (whether or not such portion of the Premises requiring repair, or the means of repairing the same are reasonably or readily accessible to Lessee, and whether or not the need for such repairs occurs as a result of Lessee's use, any prior use, the elements or the age of such portion of the Premises) including, without limiting the generality of the foregoing, all plumbing, heating, air conditioning (Lessee shall pressure and maintain at Lessee's expense, an air conditioning system maintenance contract) ventilation, electrical, lighting facilities and equipment within the Premises, fixtures, walls (interior and exterior), foundations, ceilings, roofs (interior and exterior), floors, windows, doors, plate glass and skylights located within the Premises, and all landscaping, driveways, parking lots, fences and signs located on the Premises and sidewalks and parkways adjacent to the Premises. Subject to Paragraph 5.1.

7.2 Surrender. On the last day of the term hereof, or on any sooner termination, Lessee shall surrender the Premises to Lessor in the same condition as when received, ordinary wear and tear excepted, clean and free of debris. Lessee shall repair any damage to the Premises occasioned

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by the installation or removal of Lessee's trade fixtures, furnishings and equipment. Notwithstanding anything to the contrary otherwise stated in this Lease, Lessee shall leave the air lines, power panels, electrical distribution systems, lighting fixtures, space heaters, air conditioning, plumbing and heating on the premises in good operating condition. Subject to the provisions of Par. 52 hereof.

7.3. Lessor's Right. If Lessee fails to perform Lessor's obligations under this Paragraph 7, or under any other paragraph of this Lease, Lessor may at its option (but shall not be required to) enter upon the Premises after ten (10) days' prior written notice to Lessee (except in the case of an emergency, in which case no notice shall be required), perform such obligations on Lessee's behalf and put the same in good order, condition and repair, and the cost thereof together with interest thereon at the maximum rate then allowable by law shall become due and payable as additional rental to Lessor together with Lessee's next rental installment.

7.4. Lessor's Obligations. Except for the obligations of Lessor under Paragraphs 6.2(a) and 6.3(a) (relating to Lessor's warranty), Paragraph 9 (relating to destruction of the Premises) and under Paragraph 14 (relating to condemnation of the Premises), it is intended by the parties hereto that Lessor have no obligation, in any manner whatsoever, to repair and maintain the Premises nor the building located thereon nor the equipment therein, whether structural or non structural, all of which obligations are intended to be that of the Lessee under Paragraph 7.1 hereof. Lessee expressly waives the benefit of any statute now or hereinafter in effect which would otherwise afford Lessee the right to make repairs at Lessor's expense or to terminate this Lease because of Lessor's failure to keep the premises in good order, condition and repair.

7.5. Alterations and Additions.

(a) Lessee shall not, without Lessor's prior written consent make any alterations, improvements, additions, or Utility Installations in, on or about the Premises, except for nonstructural alterations not exceeding \$2,500 in cumulative costs during the term of this Lease. In any event, whether or not in excess of \$2,500 in cumulative cost, Lessee shall make no change or alteration to the exterior of the Premises nor the exterior of the building(s) on the Premises without Lessor's prior written consent. As used in this Paragraph 7.5 the term "Utility Installation" shall mean carpentry, window coverings, air lines, power panels, electrical distribution systems, lighting fixtures, space heaters, air conditioning, plumbing, and fencing. Lessor may require that Lessee remove any or all of said alterations, improvements, additions or Utility Installations at the expiration of the term, and restore the Premises to their prior condition. Lessee may require Lessor to provide Lessor, at Lessee's sole cost and expense, a lien and completion bond in an amount equal to one and one-half times the estimated cost of such improvements, to insure Lessor against any liability for mechanic's and materialmen's liens and to insure completion of the work. Should Lessee make any alterations, improvements, additions or Utility Installations without the prior approval of Lessor, Lessor may require that Lessee remove any or all of the same.

(b) Any alterations, improvements, additions or Utility Installations in, on or about the Premises that Lessee shall desire to make and which require the consent of the Lessor shall be presented to Lessor in written form, with proposed detailed plans. If Lessor shall give its consent, the consent shall be deemed conditioned upon Lessee acquiring a permit to do so from appropriate governmental agencies, the furnishing of a copy thereof to Lessor prior to the commencement of the work and the compliance by Lessee of all conditions of said permit in a prompt and expeditious manner.

(c) Lessee shall pay, when due, all claims for labor or materials furnished or alleged to have been furnished to or for Lessee at or for use in the Premises, which claims are or may be secured by any mechanic's or materialmen's lien against the Premises or any interest therein. Lessee shall give Lessor not less than ten (10) days' notice prior to the commencement of any work in the Premises, and Lessor shall have the right to post notice of non-responsibility in or on the Premises as provided by law. If Lessee shall, in good faith, contest the validity of any such lien, claim or demand, then Lessee shall, at its sole expense defend itself and Lessor against the same and shall pay and satisfy any such adverse judgment that may be rendered thereon before the enforcement thereof against the Lessor or the Premises, upon the condition that if Lessor shall require, Lessee shall furnish to Lessor a surety bond satisfactory to Lessor in an amount equal to such contested lien claim or demand indemnifying Lessor against liability for the same and holding the Premises free from the effect of such lien or claim. In addition, Lessor may require Lessee to pay Lessor's attorney's fees and costs in participating in such action. If Lessee shall decide to settle the above interest to do so.

(d) Unless Lessor requires their removal, as set forth in Paragraph 7.5(a), all alterations, improvements, additions and Utility Installations, whether or not such Utility Installations constitute trade fixtures of Lessee, which may be made on the Premises, shall become the property of Lessor and remain upon and be surrendered with the Premises at the expiration of the term. Notwithstanding the provisions of this Paragraph 7.5(d), Lessee's machinery and equipment which are affixed to the Premises shall be removed without the consent of Lessor, and shall not be subject to the Premises shall remain the property of Lessee and may be removed by Lessee subject to the provisions of Paragraph 7.2, subject to

trade fixtures, and utility installations Par. 51

8. Insurance Indemnity.

8.1. Insuring Party. As used in this Paragraph 8, the term "insuring party" shall mean the party who has the obligation to obtain the Property Insurance required hereunder. The insuring party shall be designated in Paragraph 4b hereof. In the event Lessor is the insuring party, Lessor shall also maintain the liability insurance described in paragraph 8.2 hereof, in addition to, and not in lieu of, the insurance required to be maintained by Lessee under said paragraph 8.2, but Lessor shall not be required to name Lessee as an additional insured on such policy. Whether the insuring party is the Lessor or the Lessee, Lessee shall, as additional rent for the Premises, pay the cost of all insurance required hereunder, except for that portion of the cost attributable to Lessor's liability insurance coverage in excess of \$1,000,000 per occurrence. If Lessor is the insuring party Lessee shall, within ten (10) days following demand by Lessor, reimburse Lessor for the cost of the insurance so obtained.

8.2. Liability Insurance. Lessee shall, at Lessee's expense obtain and keep in force during the term of this Lease a policy of Combined Single Limit, Bodily Injury and Property Damage Insurance covering Lessee and Lessee against any liability arising out of the ownership, use, occupancy or maintenance of the Premises and all ends appurtenant thereto. Such insurance shall be a combined single limit policy in an amount not less than \$1,000,000 per occurrence. The policy shall insure performance by Lessee of the indemnity provisions of this Paragraph 8. The limits of said policy shall not be less than the limits of Lessee's net worth.

8.3. Property Insurance. (a) The insuring party shall obtain and keep in force during the term of this Lease a policy or policies of insurance covering loss or damage to the Premises, in the amount of the full replacement value thereof, at the same may exist from time to time, which replacement value is now \$1,500,000.00 but in no event less than the total amount required by lenders having lien on the Premises, against all perils included within the classification of fire, extended coverage, vandalism, malicious mischief and the event same is required by a lender having a lien on the Premises, and special extended perils ("all risk" as such term is used in the insurance industry). Said insurance shall provide for payment of loss hereunder to Lessor or to the holder of mortgages or deeds of trust on the Premises. The insuring party shall, in addition, obtain and keep in force during the term of this Lease a policy of rental value insurance covering a period of one year, with loss payable to Lessor, which insurance shall also cover all real estate taxes and insurance costs for said period. A stipulated value or agreed amount endorsement detailing the coinsurance provision of the policy shall be procured with said insurance as well as an automatic increase in insurance endorsement causing the increase in annual property insurance coverage by 2% per quarter. If the insuring party shall fail to procure and maintain said insurance the other party may, but shall not be required to, procure and maintain the same, but at the expense of Lessee. If such insurance coverage has a deductible clause, the deductible amount shall not exceed \$1,000 per occurrence, and Lessee shall be liable for such deductible amount.

(b) If the Premises are part of a large building, or if the Premises are part of a group of buildings owned by Lessor which are adjacent to the Premises, then Lessee shall pay for any increase in the property insurance of such other building or buildings if said increase is caused by Lessee's acts, omissions, use or occupancy of the Premises.

(c) If the Lessor is the insuring party the Lessor will not insure Lessee's fixtures, equipment or tenant improvements unless the tenant improvements have become a part of the Premises under paragraph 7, hereof. But if Lessee is the insuring party the Lessee shall insure its fixtures, equipment and tenant improvements.

8.4. Insurance Policies. Insurance required hereunder shall be in companies holding a "General Policyholder's Rating" of at least B plus, or such other rating as may be required by a lender having a lien on the Premises, as set forth in the most current issue of "Best's Insurance Guide". The insuring party shall deliver to the other party copies of policies of such insurance or certificates evidencing the existence and amount of such insurance with loss payable clauses as required by this paragraph 8. No such policy shall be cancellable or subject to reduction of coverage or other modification except after thirty (30) days' prior written notice to Lessor. If Lessee is the insuring party Lessee shall, at least thirty (30) days prior to the expiration of such policies, furnish Lessor with renewals or "binders" thereon, or Lessor may order such insurance and charge the cost thereof to Lessee, which amount shall be payable by Lessee upon demand. Lessee shall not do or permit to be done anything which shall invalidate the insurance policies referred to in Paragraph 8.3. If Lessee does or permits to be done anything which shall increase the cost of the insurance policies referred to in Paragraph 8.3, then Lessee shall forthwith upon Lessor's demand reimburse Lessor for any additional premiums attributable to any act or omission or operation of Lessee causing such increase in the cost of insurance. If Lessor is the insuring party, and if the insurance policies maintained hereunder cover other improvements in addition to the Premises, Lessor shall deliver to Lessee a written statement setting forth the amount of any such insurance cost increase and showing in reasonable detail the manner in which it has been computed.

8.5. Waiver of Subrogation. Lessee and Lessor shall hereby release and relieve the other, and waive their entire right of recovery against the other for loss or damage arising out of or incident to the perils insured against under paragraph 8.3, which perils occur in, on or about the Premises, whether due to the negligence of Lessor or Lessee or their agents, employees, contractors and/or invitees. Lessee and Lessor shall, upon obtaining the policies of insurance required hereunder, give notice to the insurance carrier or carriers that the foregoing mutual waiver of subrogation is contained in this Lease.

8.6. Indemnity. Lessee shall indemnify and hold harmless Lessor from and against any and all claims arising from Lessee's use of the Premises, or from the conduct of Lessee's business or from any activity, work or things done, permitted or suffered by Lessee in or about the Premises, and shall further indemnify and hold harmless Lessor from and against any and all claims arising from any breach or default in the performance of any obligation on Lessee's part to be performed under the terms of this Lease, or arising from any negligence of the Lessee, or any of Lessee's agents, contractors, or employees, and from and against all costs, attorney's fees, expenses and liabilities incurred in the defense of any such claim or any action or proceeding brought thereon; and in case any action or proceeding be brought against Lessor by reason of any such claim, Lessee upon notice from Lessor shall defend the same at Lessee's expense by counsel satisfactory to Lessor. Lessee, as a material part of the consideration to Lessor, hereby assumes all risk of damage to property or injury to persons, in, upon or about the Premises arising from any cause and Lessee hereby waives all claims in respect thereof against Lessor.

8.7. Exemption of Lessor from Liability. Lessee hereby agrees that Lessor shall not be liable for injury to Lessee's business or any loss of income therefrom or for damage to the goods, wares, merchandise or other property of Lessee, Lessee's employees, invitees, customers, or any other person in or about the Premises, nor shall Lessor be liable for injury to the person of Lessee, Lessee's employees, agents or contractors, whether such damage or injury is caused by or results from fire, steam, electricity, gas, water or rain, or from the breakage, leakage, obstruction or other defects of pipes, sprinklers, wires, appliances, plumbing, air conditioning or lighting fixtures, or from any other cause, whether the said damage or injury results from conditions arising upon the Premises or upon other portions of the building of which the Premises are a part, or from other causes, places and regardless of whether the cause of such damage or injury or the means of repairing the same is inaccessible to Lessee. Lessor shall not be liable for any damages arising from any act or neglect of any other tenant, if any, of the building in which the Premises are located.

* except as to claims arising out of the fault or neglect of

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9. Damage or Destruction.

9.1 Definitions.

(a) "Premises Partial Damage" shall herein mean damage or destruction to the Premises to the extent that the cost of repair is less than 80% of the then replacement cost of the Premises. "Premises Building Partial Damage" shall herein mean damage or destruction to the building of which the Premises are a part to the extent that the cost of repair is less than 80% of the then replacement cost of such building as a whole.

(b) "Premises Total Destruction" shall herein mean damage or destruction to the Premises to the extent that the cost of repair is 80% or more of the then replacement cost of the Premises. "Premises Building Total Destruction" shall herein mean damage or destruction to the building of which the Premises are a part to the extent that the cost of repair is 80% or more of the then replacement cost of such building as a whole.

(c) "Insured Loss" shall herein mean damage or destruction which was caused by an event required to be covered by the insurance described in paragraph 8.

9.2 Partial Damage - Insured Loss. Subject to the provisions of paragraphs 9.4, 9.5 and 9.6, if at any time during the term of this Lease there is damage which is an Insured Loss and which falls into the classification of Premises Partial Damage or Premises Building Partial Damage, then Lessor shall, at Lessor's expense, repair such damage, but not Lessee's fixtures, equipment or tenant improvements unless the same have become a part of the Premises pursuant to Paragraph 7.3 hereof as soon as reasonably possible and this Lease shall continue in full force and effect. Notwithstanding the above, if the Lessee is the insuring party, and if the insurance proceeds received by Lessor are not sufficient to cover the repair, Lessor shall give notice to Lessee of the amount required in addition to the insurance proceeds to effect such repair. Lessee shall contribute the required amount to Lessor within ten days after Lessee has received notice from Lessor of the shortage in the insurance. When Lessee shall contribute such amount to Lessor, Lessor shall make such repairs as soon as reasonably possible and this Lease shall continue in full force and effect. If Lessor shall not have any right to reimbursement for any such amounts so contributed.

9.3 Partial Damage - Uninsured Loss. Subject to the provisions of Paragraphs 9.4, 9.5 and 9.6, if at any time during the term of this Lease there is damage which is not an Insured Loss and which falls within the classification of Premises Partial Damage or Premises Building Partial Damage, unless caused by a negligent or willful act of Lessee (in which event Lessee shall make the repairs at Lessee's expense), Lessor may at Lessor's option either (i) repair such damage as soon as reasonably possible at Lessor's expense, in which event this Lease shall continue in full force and effect, or (ii) give written notice to Lessee within thirty (30) days after the date of the occurrence of such damage of Lessor's intention to cancel and terminate this Lease, as of the date of the occurrence of such damage. In the event Lessor elects to give such notice of Lessor's intention to cancel and terminate this Lease, Lessee shall have the right within ten (10) days after the receipt of such notice to give written notice to Lessor of Lessee's intention to repair such damage at Lessee's expense, without reimbursement from Lessor, in which event this Lease shall continue in full force and effect, and Lessee shall proceed to make such repairs as soon as reasonably possible. If Lessee does not give such notice within such 10-day period this Lease shall be cancelled and terminated as of the date of the occurrence of such damage.

9.4 Total Destruction. If at any time during the term of this Lease there is damage, whether or not an Insured Loss, (including destruction required by any authorized public authority), which falls into the classification of Premises Total Destruction or Premises Building Total Destruction, this Lease shall automatically terminate as of the date of such total destruction.

9.5 Damage Near End of Term.

(a) If at any time during the last six months of the term of this Lease there is damage, whether or not an Insured Loss, which falls within the classification of Premises Partial Damage, Lessor may at Lessor's option cancel and terminate this Lease as of the date of occurrence of such damage by giving written notice to Lessee of Lessor's election to do so within 30 days after the date of occurrence of such damage.

(b) Notwithstanding paragraph 9.5(a), in the event that Lessee has an option to extend or renew this Lease, and the time within which said option may be exercised has not yet expired, Lessee shall exercise such option, if it is to be exercised at all, no later than 20 days after the occurrence of an Insured Loss falling within the classification of Premises Partial Damage during the last six months of the term of this Lease. If Lessee fails to exercise such option during said 20 day period, Lessor shall, at Lessor's expense, repair such damage as soon as reasonably possible and this Lease shall continue in full force and effect. If Lessee fails to exercise such option during said 20 day period, then Lessor may at Lessor's option terminate and cancel this Lease as of the expiration of said 20 day period by giving written notice to Lessee of Lessor's election to do so within 10 days after the expiration of said 20 day period, notwithstanding any term or provision in the grant of option to the contrary.

9.6 Abatement of Rent; Lessee's Remedies.

(a) In the event of damage described in paragraphs 9.2 or 9.3, and Lessor or Lessee repairs or restores the Premises pursuant to the provisions of Paragraph 9, the amount payable hereunder for the period during which such damage, repair or restoration continues shall be abated in proportion to the degree to which Lessee's use of the Premises is impaired. Except for abatement of rent, if any, Lessee shall have no claim against Lessor for any damage suffered by reason of any such damage, destruction, repair or restoration.

(b) If Lessor shall be obligated to repair or restore the Premises under the provisions of this Paragraph 9 and shall not commence such repair or restoration within 90 days after such obligations shall accrue, Lessee may at Lessee's option cancel and terminate this Lease by giving Lessor written notice of Lessee's election to do so at any time prior to the commencement of such repair or restoration. In such event this Lease shall terminate as of the date of such notice.

9.7 Termination - Advance Payments. Upon termination of this Lease pursuant to this Paragraph 9, an equitable adjustment shall be made concerning advance rent and any advance payments made by Lessee to Lessor. Lessor shall, in addition, return to Lessee so much of Lessee's security deposit as has not theretofore been applied by Lessor.

9.8 Waiver. Lessor and Lessee waive the provisions of any statutes which relate to termination of leases when leased property is destroyed and agree that such event shall be governed by the terms of this Lease.

10. Real Property Taxes.

10.1 Payment of Taxes. Lessee shall pay the real property tax, as defined in paragraph 10.2, applicable to the Premises during the term of this Lease. All such payments shall be made at least ten (10) days prior to the delinquency date of such payment. Lessor shall promptly furnish Lessor with satisfactory evidence that such taxes have been paid. If any such taxes paid by Lessee shall cover any period of time prior to or after the expiration of the term hereof, Lessee's share of such taxes shall be equitably prorated to cover only the period of time within the tax fiscal year during which this Lease shall be in effect, and Lessor shall reimburse Lessee to the extent required. If Lessee shall fail to pay any such taxes, Lessor shall have the right to pay the same, in which case Lessee shall repay such amount to Lessor with Lessee's next rent installment together with interest at the maximum rate then allowable by law.

10.2 Definition of "Real Property Tax". As used herein, the term "real property tax" shall include any form of real estate tax or assessment, general, special, ordinary or extraordinary, and any tax, fee, charge, or assessment, improvement bond or bonds, levy or tax (other than inheritance, personal income or estate taxes) imposed on the Premises by any authority having the direct or indirect power to tax, including any city, state or federal government, or any school, agricultural, sanitary, fire, street, drainage or other improvement district thereof, as against any legal or equitable interest of Lessor in the Premises or in the real property of which the Premises are a part, as against Lessor's right to rent or other income therefrom, and as against Lessor's business of leasing the Premises. The term "real property tax" shall also include any tax, fee, levy, assessment or charge (i) in substitution of, partially or totally, any tax, fee, levy, assessment or charge heretofore included within the definition of "real property tax", or (ii) the nature of which was heretofore included within the definition of "real property tax", but which is imposed for services or rights not charged prior to June 1, 1971, or if previously charged, has been increased since June 1, 1971, or (iii) which is imposed as a result of a transfer, either partial or total, of Lessor's interest in the Premises or which is added to a tax or charge heretofore included within the definition of real property tax by reason of such transfer, or (iv) which is imposed by reason of this transaction, any modification or amendment of this Lease, or any transfer hereof. See Paragraph 5.4.

10.3 Personal Property Taxes. As used herein, the term "personal property tax" shall include any tax, fee, charge, or assessment, improvement bond or bonds, levy or tax (other than inheritance, personal income or estate taxes) imposed on the Premises by any authority having the direct or indirect power to tax, including any city, state or federal government, or any school, agricultural, sanitary, fire, street, drainage or other improvement district thereof, as against any legal or equitable interest of Lessor in the Premises or in the real property of which the Premises are a part, as against Lessor's right to rent or other income therefrom, and as against Lessor's business of leasing the Premises. The term "personal property tax" shall also include any tax, fee, levy, assessment or charge (i) in substitution of, partially or totally, any tax, fee, levy, assessment or charge heretofore included within the definition of "personal property tax", or (ii) the nature of which was heretofore included within the definition of "personal property tax", but which is imposed for services or rights not charged prior to June 1, 1971, or if previously charged, has been increased since June 1, 1971, or (iii) which is imposed as a result of a transfer, either partial or total, of Lessor's interest in the Premises or which is added to a tax or charge heretofore included within the definition of personal property tax by reason of such transfer, or (iv) which is imposed by reason of this transaction, any modification or amendment of this Lease, or any transfer hereof. See Paragraph 5.4.

10.4 Personal Property Taxes.

(a) Lessee shall pay prior to delinquency all taxes assessed against and levied upon trade fixtures, furnishings, equipment and all other personal property of Lessee contained in the Premises or elsewhere. When possible, Lessee shall cause said trade fixtures, furnishings, equipment and all other personal property to be assessed and billed separately from the real property of Lessor.

(b) If any of Lessee's said personal property shall be assessed with Lessor's real property, Lessee shall pay Lessor the taxes attributable to Lessee within 10 days after receipt of a written statement setting forth the taxes applicable to Lessee's property.

11. Utilities. Lessee shall pay for all water, gas, heat, light, power, telephone and other utilities and services supplied to the Premises, together with any taxes thereon. If any such services are not separately metered to Lessee, Lessee shall pay a reasonable proportion to be determined by Lessor of all charges jointly metered with other premises.

12. Assignment and Subletting.

12.1 Lessor's Consent Required. Lessee shall not voluntarily or by operation of law assign, transfer, mortgage, sublet, or otherwise transfer or encumber all or any part of Lessee's interest in this Lease or in the Premises, without Lessor's prior written consent, which Lessor shall not unreasonably withhold. Lessor shall respond to Lessee's request for consent hereunder in a timely manner and any attempted assignment, transfer, mortgage, encumbrance or subletting without such consent shall be void, and shall constitute a breach of this Lease. Request for consent shall be in writing and shall set forth the proposed assignee, transferee, mortgagee, or sublessee, and shall be accompanied by a copy of the proposed assignment, transfer, mortgage, or sublease agreement. Lessor's consent shall not be unreasonably withheld, and Lessor shall not be bound by any conditions, covenants, or restrictions, or any other provisions, in any such assignment, transfer, mortgage, or sublease agreement, to any provision which controls, is controlled by or is under common control with Lessee, or to any condition resulting from the merger or consolidation with Lessee, or to any person or entity which acquires all the assets of Lessee as a going concern of the business that is being conducted on the Premises, provided that said assignee assumes in full the obligations of Lessee under this Lease. Any such assignment shall not, in any way, affect or limit the liability of Lessee under the terms of this Lease even if after such assignment or subletting the terms of this Lease are materially changed or altered without the consent of Lessee, the consent of whom shall not be necessary.

12.2 No Release of Lessee. Notwithstanding Lessor's consent, no subletting or assignment shall release Lessee of Lessee's obligation or alter the primary liability of Lessee to pay the rent and to perform all other obligations to be performed by Lessee hereunder. The acceptance of rent by Lessor from any other person shall not be deemed to be a waiver by Lessor of any provision hereof. Consent to one assignment or subletting shall not be deemed consent to any subsequent assignment or subletting. In the event of default by any assignee of Lessee or any successor of Lessee, in the performance of any of the terms hereof, Lessor may proceed directly against Lessee without the necessity of exhausting remedies against said assignee. Lessor may consent to subsequent assignments or sublettings of this Lease or amendments or modifications to this Lease with assignee.

Lessor shall forward a copy of tax statement to Lessee within 10 days after receipt of same. Lessee shall be responsible for any penalty for late payment.

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of Lessee, without notifying Lessee, or any successor of Lessee, and without obtaining its or their consent thereto and such action shall not relieve Lessee of liability under this Lease.

12.4 **Attorney's Fee.** In the event Lessee shall assign or sublet the Premises or request the consent of Lessor to any assignment or subletting or if Lessee shall request the consent of Lessor for any act Lessee proposes to do then Lessee shall pay Lessor's reasonable attorneys fees incurred in connection therewith, such attorneys fees not to exceed \$350.00 for each such request.

13. Defaults; Remedies.

13.1 **Defaults.** The occurrence of any one or more of the following events shall constitute a material default and breach of this Lease by Lessee:

(a) The vacating or abandonment of the Premises by Lessee.

(b) The failure by Lessee to make any payment of rent or any other payment required to be made by Lessee hereunder, as and when due, where such failure shall continue for a period of three days after written notice thereof from Lessor to Lessee. In the event that Lessor serves Lessee with a Notice to Pay Rent or Quit pursuant to applicable Uniform District Court Act such Notice to Pay Rent or Quit shall also constitute the notice required by this subparagraph.

(c) The failure by Lessee to observe or perform any of the covenants, conditions or provisions of this Lease to be observed or performed by Lessee, other than described in paragraph (b) above, where such failure shall continue for a period of 30 days after written notice hereof from Lessor to Lessee; provided, however, that if the nature of Lessee's default is such that more than 30 days are reasonably required for its cure, then Lessee shall not be deemed to be in default if Lessee commenced such cure within said 30-day period and thereafter diligently prosecutes such cure to completion.

(d) (i) The making by Lessee of any general arrangement or assignment for the benefit of creditors; (ii) Lessee becomes a "debtor" as defined in 11 U.S.C. §101 or any successor statute thereto (unless, in the case of a petition filed against Lessee, the same is dismissed within 60 days); (iii) the appointment of a trustee or receiver to take possession of substantially all of Lessee's assets located at the Premises or of Lessee's interest in this Lease, where possession is not restored to Lessee within 30 days; or (iv) the attachment, execution or other judicial seizure of substantially all of Lessee's assets located at the Premises or of Lessee's interest in this Lease, where such seizure is not discharged within 30 days. Provided, however, in the event that any provision of this paragraph 13.1(d) is contrary to any applicable law, such provision shall be of no force or effect.

(e) The discovery by Lessor that any financial statement given to Lessor by Lessee, any assignee of Lessee, any subtenant of Lessee, any successor in interest of Lessee or any guarantor of Lessee's obligation hereunder, and any of them, was materially false.

13.2 **Remedies.** In the event of any such material default or breach by Lessee, Lessor may at any time thereon, with or without notice or demand and without limiting Lessor in the exercise of any right or remedy which Lessor may have by reason of such default or breach:

(a) Terminate Lessee's right to possession of the Premises by any lawful means, in which case this Lease shall terminate and Lessee shall immediately surrender possession of the Premises to Lessor. In such event Lessor shall be entitled to recover from Lessee all mortgages or trust deeds covering the Premises. Accordingly, if any installment of rent or any other sum due from Lessee shall not be received by Lessor or Lessor's designee necessary renovation and alteration of the Premises, reasonable attorney's fees, and any real estate commission actually paid; the worth at the time of award by the court having jurisdiction thereof of the amount by which the unpaid rent for the balance of the term after the time of such award exceeds the amount of such rental loss for the same period that Lessee proves could be reasonably avoided; that portion of the leasing commission paid by Lessor pursuant to Paragraph 15 applicable to the unexpired term of this Lease.

(b) Maintain Lessor's right to possession in which case this Lease shall continue in effect whether or not Lessee shall have abandoned the Premises; in such event Lessor shall be entitled to enforce all of Lessor's rights and remedies under this Lease, including the right to recover the rent as it becomes due hereunder.

(c) Pursue any other remedy now or hereafter available to Lessor under the laws or judicial decisions of the state wherein the Premises are located. Unpaid installments of rent and other monetary obligations of Lessee under the terms of this Lease shall bear interest from the date due at the maximum rate then allowable by law.

13.3 **Default by Lessor.** Lessor shall not be in default unless Lessor fails to perform obligations required of Lessor within a reasonable time, but in no event later than thirty (30) days after written notice by Lessee to Lessor and to the holder of any first mortgage or deed of trust covering the Premises whose name and address shall have theretofore been furnished to Lessee in writing, specifying wherein Lessor has failed to perform such obligation; provided, however, that if the nature of Lessor's obligation is such that more than thirty (30) days are required for performance then Lessor shall not be in default if Lessor commences performance within such 30-day period and thereafter diligently prosecutes the same to completion.

13.4 **Late Charges.** Lessee hereby acknowledges that late payment by Lessee to Lessor of rent and other sums due hereunder will cause Lessor to incur costs not contemplated by this Lease, the exact amount of which will be extremely difficult to ascertain. Such costs include, but are not limited to, processing and accounting charges, and late charges which may be imposed on Lessor by the terms of any mortgage or trust deed covering the Premises. Accordingly, if any installment of rent or any other sum due from Lessee shall not be received by Lessor or Lessor's designee within ten (10) days after such amount shall be due, then, without any requirement for notice to Lessee, Lessee shall pay to Lessor a late charge equal to 5% of such overdue amount. The parties hereby agree that such late charge represents a fair and reasonable estimate of the costs Lessor will incur by reason of late payment by Lessee. Acceptance of such late charge by Lessor shall in no event constitute a waiver of Lessee's default with respect to such overdue amount, nor prevent Lessor from exercising any of the other rights and remedies granted hereunder. In the event that a late charge is payable hereunder, whether or not collected, for three (3) consecutive installments of rent, then rent shall automatically become due and payable quarterly in advance, rather than monthly, notwithstanding paragraph 4 or any other provision of this Lease to the contrary.

13.5 **Impounds.** In the event that a late charge is payable hereunder, whether or not collected, for three (3) installments of rent or any other monetary obligation of Lessee under the terms of this Lease, Lessee shall pay to Lessor, if Lessor shall so request, in addition to any other payments required under this Lease, a monthly advance installment, payable at the same time as the monthly rent, as estimated by Lessor, for real property tax and insurance expenses on the Premises which are payable by Lessee under the terms of this Lease. Such fund shall be established to insure payment when due, before delinquency, of any or all such real property taxes and insurance premiums. If the amounts paid to Lessor by Lessee under the provisions of this paragraph are insufficient to discharge the obligations of Lessee to pay such real property taxes and insurance premiums as the same become due, Lessee shall pay to Lessor, upon Lessor's demand, such additional sums necessary to pay such obligations. All moneys paid to Lessor under this paragraph may be intermingled with other moneys of Lessor and shall not bear interest. In the event of a default in the obligations of Lessee to perform under this Lease, then any balance remaining from funds paid to Lessor under the provisions of this paragraph may, at the option of Lessor, be applied to the payment of any monetary default of Lessee in lieu of being applied to the payment of real property tax and insurance premiums.

14. **Condemnation.** If the Premises or any portion thereof are taken under the power of eminent domain, or sold under the threat of the exercise of said power (all of which are herein called "condemnation"), this Lease shall terminate as to the part so taken as of the date the condemning authority takes title or possession, whichever first occurs. If more than 10% of the floor area of the building on the Premises, or more than 25% of the land area of the Premises which is not occupied by any building, is taken by condemnation, Lessee may, at Lessee's option, to be exercised in writing only within ten (10) days after Lessor shall have given Lessee written notice of such taking (or in the absence of such notice, within ten (10) days after the condemning authority shall have taken possession) terminate this Lease as of the date the condemning authority takes such possession. If Lessee does not terminate this Lease in accordance with the foregoing, this Lease shall remain in full force and effect as to the portion of the Premises remaining, except that the rent shall be reduced in the proportion that the floor area of the building taken bears to the total floor area of the building situated on the Premises. No reduction of rent shall occur if the only area taken is that which does not have a building located thereon. Any award for the taking of all or any part of the Premises under the power of eminent domain or any payment made under threat of the exercise of such power shall be the property of Lessor, whether such award shall be made as compensation for diminution in value of the lessorhold or for the taking of the fee, or as severance damages; provided, however, that Lessee shall be entitled to any award for loss of or damage to Lessee's trade fixtures and removable personal property. In the event that this Lease is not terminated by reason of such condemnation, Lessor shall to the extent of severance damages received by Lessor in connection with such condemnation, repair any damage to the Premises caused by such condemnation except to the extent that Lessee has been reimbursed therefor by the condemning authority; Lessee shall pay any amount in excess of such severance damages required to complete such repair.

15. Broker's Fee.

(a) Upon execution of this Lease by both parties, Lessor shall pay to _____

_____ Licensed real estate broker(s); a fee as set forth in a separate agreement between Lessor and said broker(s), or in the event there is no separate agreement between Lessor and said broker(s), the sum of _____ for brokerage services rendered by said broker(s) to Lessor in this transaction.

(b) Lessor further agrees that if Lessee exercises any Option as defined in paragraph 39.1 of this Lease, which is granted to Lessee under this Lease, or any subsequently granted option which is substantially similar to an Option granted to Lessee under this Lease, or if Lessee acquires any rights to the Premises or other premises described in this Lease which are substantially similar to what Lessee would have acquired had an Option herein granted to Lessee been exercised, or if Lessee remains in possession of the Premises after the expiration of the term of this Lease after having failed to exercise an Option, or if said broker(s) are the procuring cause of any other lease or sale entered into between the parties pertaining to the Premises and/or any adjacent property in which Lessor has an interest, then as to any of said transactions, Lessor shall pay said broker(s) a fee in accordance with the schedule of said broker(s) in effect at the time of execution of this Lease.

(c) Lessee agrees to pay said fee not only on behalf of Lessor but also on behalf of any person, corporation, association, or other entity having ownership interest in said real property or any part thereof, when such fee is due hereunder. Any transfer of all Lessor's interest in this Lease, whether such transfer is by agreement or by operation of law, shall be deemed to have assumed Lessor's obligation under this Paragraph 15. Said broker shall be a third party beneficiary of the provisions of this Paragraph 15.

16. Estoppel Certificate.

(a) Lessee shall at any time upon not less than ten (10) days' prior written notice from Lessor execute, acknowledge and deliver to Lessor a statement in writing (i) certifying that this Lease is unmodified and in full force and effect (or, if modified, stating the nature of such modification and certifying that this Lease, as so modified, is in full force and effect) and the date to which the rent and other charges are paid in advance, if any, and (ii) acknowledging that there are not, to Lessee's knowledge, any uncured defaults on the part of Lessor hereunder, or specifying such defaults if any are claimed. Any such statement may be conclusively relied upon by any prospective purchaser or encumbrancer of the Premises.

(b) At Lessor's option, Lessee's failure to deliver such statement within such time shall be a material breach of this Lease or shall be

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(c) If Lessor desires to finance, refinance, or sell the Premises, or any part thereof, Lessee hereby agrees to deliver to any lender or purchaser designated by Lessor such financial statements of Lessee as may be reasonably required by such lender or purchaser. Such statements shall include the past three years' financial statements of Lessee. All such financial statements shall be received by Lessor and such lender or purchaser in confidence and shall be used only for the purposes herein set forth.

10. **Severability.** The invalidity of any provision of this Lease as determined by a court of competent jurisdiction, shall in no way affect the validity of any other provision hereof.

20. Time of Essence, Time is of the essence.

22. Incorporation of Prior Agreements; Amendments. This Lease contains all agreements of the parties with respect to any matter mentioned herein. No prior agreement or understanding pertaining to any such matter shall be effective. This Lease may be modified in writing only, signed by the parties in ink and filed with the file of the modification. Except as otherwise stated in this Lease, no oral promises or representations made by either party are intended to modify or amend the terms of this Lease. The undersigned hereby acknowledge that neither party has been advised by either party that the other party has made any oral or written warranties or representations to Lessee relative to the condition or use by Lessee of said Premises and Lessee acknowledges that Lessee assumes all responsibility regarding the Occupational Safety Health Act, the legal use and adaptability of the Premises and the compliance thereof with all applicable laws and regulations in effect during the term of this Lease except as otherwise specifically stated in this Lease.

24. **Waivers.** No waiver by Lessor or any provision hereof shall be deemed a waiver of any other provision hereof or of any subsequent breach by Lessee of the same or any other provision. Lessor's consent to, or approval of, any act shall not be deemed to render unnecessary the obtaining of Lessor's consent to or approval of any subsequent act by Lessee. The acceptance of rent hereunder by Lessor shall not be a waiver of any preceding breach by Lessee of any provision hereof, other than the failure of Lessee to pay the particular rent so accepted, regardless of Lessor's knowledge of such preceding breach at the time of acceptance of such rent.

26. **Holding Over.** If Lessee, with lessor's consent, remains in possession of the Premises or any part thereof after the expiration of the term of this Lease, Lessee shall be a tenant from month to month upon all the provisions of this Lease pertaining to the obligations of Lessee, but without the options and rights of first refusal, if any, granted under the terms of this Lease shall be deemed terminated and be of no further effect during said month to month tenancy.

28. Covenants and Conditions. Each provision of this Lease performable by Lessee shall be deemed both a covenant and a condition.

30. Subordination.

(b) Lessee agrees to execute any documents required to effectuate an attornment, a subordination or to make this Lease prior to the lien of any mortgage, deed of trust or ground lease, as the case may be. Lessee's failure to execute such documents within 10 days after written demand shall constitute a material default by Lessee hereunder, or, at Lessor's option, Lessor shall execute such documents on behalf of Lessee as Lessee's attorney-in-fact. Lessee does hereby make, constitute and irrevocably appoint Lessor as Lessee's attorney-in-fact and in Lessee's name, place and stead, to execute such documents in accordance with this paragraph 30(b).

32. **Lessor's Access.** Lessor and Lessor's agents shall have the right to enter the Premises at reasonable times for the purpose of inspecting the same; allowing the same to prospective purchasers, lenders, or lessees, and making such alterations, repairs, improvements or additions to the Premises or to the building of which they are a part as Lessor may deem necessary or desirable. Lessor may at any time place on or about the Premises any ordinary "For Sale" signs and Lessor may at any time during the last 120 days of the term hereof place on or about the Premises any ordinary "For Lease" signs, all without rebate of rent or liability to Lessee.

34. Signs. Lessee shall not place any sign upon the Premises without Lessor's prior written consent except that Lessee shall have the right, without the prior permission of Lessor to place ordinary and usual for rent or sublet signs thereon.

39. **Consents.** Except for paragraph 33 hereof, wherever in this Lease the consent of one party is required to an act of the other party such consent shall not be unreasonably withheld.

38. **Quiet Possession.** Upon Lessee paying the rent for the Premises and observing and performing all of the covenants, conditions and

32. Options.

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Introduction

39.2 Options Personal. Each Option granted to Lessee in this Lease are personal to Lessee and may not be exercised or be assigned voluntarily or involuntarily, by or to any person or entity other than Lessee, provided, however, the Option may be exercised by or assigned to any Lessee Affiliate as defined in paragraph 12.2 of this Lease. The Options herein granted to Lessee are not assignable separate and apart from this Lease.

39.3 Multiple Options. In the event that Lessee has any multiple options to extend or renew this Lease a later option cannot be exercised unless the prior option to extend or renew this Lease has been so exercised.

39.4 Effect of Default on Options.

(a) Lessee shall have no right to exercise an Option, notwithstanding any provision in the grant of Option to the contrary, (i) during the time commencing from the date Lessor gives to Lessee a notice of default pursuant to paragraph 13.1(h) or 13.1(c) and continuing until the default alleged in said notice of default is cured, or (ii) during the period of time commencing on the day after a monetary obligation to Lessor is due from Lessee and unpaid (without any necessity for notice thereof to Lessee) continuing until the obligation is paid, or (iii) at any time after an event of default described in paragraphs 13.1(a), 13.1(d), or 13.1(e) (without any necessity of Lessor to give notice of such default to Lessee), or (iv) in the event that Lessor has given to Lessee three or more notices of default under paragraph 13.1(b), where a late charge has become payable under paragraph 13.4 for each of such defaults, or paragraph 13.1(c), whether or not the defaults are cured, during the 12 month period prior to the time that Lessee intends to exercise the subject Option.

(b) The period of time within which an Option may be exercised shall not be extended or enlarged by reason of Lessee's inability to exercise an Option because of the provisions of paragraph 39.4(a).

(c) All rights of Lessee under the provisions of an Option shall terminate and be of no further force or effect, notwithstanding Lessee's due and timely exercise of the Option, if, after such exercise and during the term of this Lease, (i) Lessee fails to pay to Lessor a monetary obligation to Lessee for a period of 30 days after such obligation becomes due (without any necessity of Lessor to give notice thereof to Lessee), or (ii) Lessor fails to commence to cure a default specified in paragraph 13.1(c) within 30 days after the date that Lessor gives notice to Lessee of such default and/or Lessee fails thereafter to diligently prosecute said cure to completion, or (iii) Lessee commits a default described in paragraph 13.1(a), 13.1(d) or 13.1(e) (without any necessity of Lessor to give notice of such default to Lessee), or (iv) Lessor gives to Lessee three or more notices of default under paragraph 13.1(b), where a late charge becomes payable under paragraph 13.4 for each such default, or paragraph 13.1(c), whether or not the defaults are cured.

41. Security Measures. Lessee hereby acknowledges that the rental payable to Lessor hereunder does not include the cost of guard service or other security measures, and that Lessor shall have no obligation whatsoever to provide same. Lessee assumes all responsibility for the protection of Lessee, its agents and invitees from acts of third parties.

42. Easements. Lessor reserves to itself the right, from time to time, to grant such easements, rights and dedications that Lessor deems necessary or desirable, and to cause the recording of Parcel Maps and restrictions, so long as such easements, rights, dedications, Maps and restrictions do not unreasonably interfere with the use of the Premises by Lessee. Lessee shall sign any of the aforementioned documents upon request of Lessor and failure to do so shall constitute a material breach of this Lease.

43. Performance Under Protest. If at any time a dispute shall arise as to any amount or sum of money to be paid by one party to the other under the provisions hereof, the party against whom the obligation to pay the money is asserted shall have the right to make payment "under protest" and such payment shall not be regarded as a voluntary payment, and there shall survive the right on the part of said party to institute suit for recovery of such sum. If it shall be adjudged that there was no legal obligation on the part of said party to pay such sum or any part thereof, said party shall be entitled to recover such sum or so much thereof as it was not legally required to pay under the provisions of this Lease.

44. Authority. If Lessee is a corporation, trust, or general or limited partnership, each individual executing this Lease on behalf of such entity represents and warrants that he or she is duly authorized to execute and deliver this Lease on behalf of said entity. If Lessee is a corporation, trust or partnership, Lessee shall, within thirty (30) days after execution of this Lease, deliver to Lessor evidence of such authority satisfactory to Lessor.

45. Conflict. Any conflict between the printed provisions of this Lease and the typewritten or handwritten provisions shall be controlled by the typewritten or handwritten provisions.

46. Insuring Party. The insuring party under this lease shall be the LESSEE.

47. Addendum. Attached hereto is an addendum or addenda containing paragraphs 48 through 56 which constitute a part of this Lease.

48. Lessee currently has a security deposit with Lessor in the amount of \$5,800. Concurrently with the execution of this Lease, Lessee shall deposit an additional sum of \$1,800 for a total security deposit of \$7,600 which shall be held by Lessor in accordance with the provisions of Paragraph 5.

(SEE ATTACHED ADDENDUM)

LESSOR AND LESSEE HAVE CAREFULLY READ AND REVIEWED THIS LEASE AND EACH TERM AND PROVISION CONTAINED HEREIN AND, BY EXECUTION OF THIS LEASE, SHOW THEIR INFORMED AND VOLUNTARY CONSENT THERETO. THE PARTIES HEREBY AGREE THAT, AT THE TIME THIS LEASE IS EXECUTED, THE TERMS OF THIS LEASE ARE COMMERCIALY REASONABLE AND EFFECTUATE THE INTENT AND PURPOSE OF LESSOR AND LESSEE WITH RESPECT TO THE PREMISES.

IF THIS LEASE HAS BEEN FILLED IN IT HAS BEEN PREPARED FOR SUBMISSION TO YOUR ATTORNEY FOR HIS APPROVAL. NO REPRESENTATION OR RECOMMENDATION IS MADE BY THE AMERICAN INDUSTRIAL REAL ESTATE ASSOCIATION OR BY THE REAL ESTATE BROKER OR ITS AGENTS OR EMPLOYEES AS TO THE LEGAL SUFFICIENCY, LEGAL EFFECT, OR TAX CONSEQUENCES OF THIS LEASE OR THE TRANSACTION RELATING THERETO. THE PARTIES SHALL RELY SOLELY UPON THE ADVICE OF THEIR OWN LEGAL COUNSEL AS TO THE LEGAL AND TAX CONSEQUENCES OF THIS LEASE.

The parties hereto have executed this Lease at the place on the dates specified immediately adjacent to their respective signatures.

Executed at _____

on _____

Address _____

Executed at _____

on _____

Address _____

THE HANNAH FAMILY TRUST

By Robert S. Hannah "Trustee"

By Mary Lee Hannah "Trustee"

"LESSOR" (Corporate seal)

THE IEM INDUSTRIES, INC.

By Stephen J. Kerpan (title)

Stephen J. Kerpan
Vice President / General Manager

"LESSEE" (Corporate seal)

ADDENDUM TO STANDARD INDUSTRIAL LEASE - NET

49. Condition of Premises

As of the date of commencement of this Lease, the Lessee will have occupied the premises for approximately ten (10) years. Accordingly, as of commencement of this Lease, Lessee accepts the premises "As Is".

Lessee shall comply with and hold Lessor harmless with respect to the requirements of any governmental agency relating to the installation, testing or use of equipment by Lessee.

Lessee shall comply with and hold Lessor harmless with respect to damages or claims of third persons resulting from the installation, testing or use of equipment by Lessee.

50. Maintenance and Repair of Premises

During the term of this Lease, Lessee shall be responsible for, among other things, maintenance of the building foundation and concrete floors. Lessor shall be responsible for maintenance to the roof of the building and its exterior walls, provided, if Lessee installs roof ventilators maintenance of the building roof shall thereupon become the sole responsibility of the Lessee.

51. Restoration of Premises

At the expiration of this Lease, all equipment installed by or under the direction of Thiem Industries required for its operations whether above or below ground shall be removed by Thiem and the premises shall be left in a clean and orderly condition. The portion of the parking lot containing the two underground tanks and high flow test equipment will be removed and the area returned to its original parking lot condition by Thiem Industries. This includes obtaining permits or registrations for any required restoration work as well as providing a Certificate of Tank Closure Report from the Los Angeles County Department of Public Works, City of Santa Fe Springs or other agencies having jurisdiction over the area in which the underground tanks are located, and Lessee shall hold Lessor harmless from any remedial work or expenses related thereto.

Any above-ground apparatus or installation including, but not limited to compressors or tanks, shall be removed by Lessee.

Any damage to the premises occasioned by removal of equipment or apparatus shall be paid by Lessee.

52. Option to Extend Lease

Provided Lessee is not otherwise in default hereunder, Lessee shall have the option to extend this Lease on the same terms and conditions with the exception of rent as adjusted herein and with exception of the instant option provision, for a term of three (3) years until June 30, 1999 by giving written notice to Lessor of election to exercise such option in the manner hereinafter set forth at least four (4) months prior to June 30, 1996.

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Notice of the exercise of the above option to extend this Lease shall be given by personal delivery, or by registered or certified mail to Lessor at Lessor's residence addressed as follows:

Mr. and Mrs. Robert S. Hannah
Box 1637
Friday Harbor, WA 98250

copy to:

Richard B. Newton
Attorney at Law
711 Mission St., Suite A
South Pasadena, CA 91030

53. Rental Adjustment

The rental for the term of this Lease and any extended period by reason of the exercise of the foregoing option, shall be subject to adjustment as follows:

At the commencement of the second year of the term of this Lease and each year thereafter ("Adjustment Date"), the Combined Consumer Price Index for All Urban Consumers for the Los Angeles/Long Beach/Anaheim/San Bernardino/Riverside areas published by the Department of Labor, Bureau of Labor Statistics, United States Government, All Items, 1967=100, as it exists on the adjustment date in question shall be compared with the Index as the same existed on July, 1993 ("Base Index"). In the event the Index as of such adjustment Date is higher than the Base Index, the monthly rent until the next Adjustment Date, or until the expiration of the Lease term as the case may be, shall be increased by multiplying the Base Rent by a fraction of the numerator of which is the Index as the same exists on the Adjustment Date, and the denominator of which is the Base Index. In no event shall the monthly rent at any time during the term be less than the monthly rent payable immediately prior to the Adjustment Date in question, and the Lessee shall continue to pay the rent for the prior period until the Index is made public. When the Index is made public, Lessee shall immediately pay to Lessor the deficiency in rent due to the time lag upon Lessor's submission to Lessee of a statement setting forth the adjusted monthly rent reflecting the increase in the Index. In no event shall the annual adjustment resulting from application of the foregoing formula be in excess of eight percent (8%) of the prior year's rent.

If, in the future, the Index shall be changed so that the base year differs from 1967=100, the Index shall be converted in accordance with the conversion factor published by the United States Department of Labor, Bureau of Labor Statistics. In the event the Index is discontinued or revised during the term hereof, such other governmental index or computation with which it is replaced shall be used in order to obtain substantially the same result that would be obtained if said present Index had not been discontinued or revised. In the event the Index is not replaced with another

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governmental index or computation, Lessor and Lessee shall accept comparable statistics on the purchasing power of the consumer dollar as published at the time of said discontinuance by a responsible financial periodical as the source of comparable statistics after attempting for twenty (20) days to reach such agreement, the percentage increase of the ensuing period shall be determined by arbitration according to the rules of the American Arbitration Association and the decision of the arbitrators shall be binding on the parties.

54. Increased Taxes from Transfer
Lessee's liability for increased taxes shall not include an increase arising from reassessment of the premises by reason of sale or transfer by Lessor of the premises unless occasioned by a transfer by operation of law. Lessee shall otherwise be responsible for increased real property taxes.
55. Certificates of Insurance
Lessee shall name Lessor and any beneficiary of their Trust Deed as co-insureds on all insurance policies required hereunder and shall provide certificates of insurance to this effect.
56. Replacement of Air Conditioning Equipment
The present air conditioning system for the offices of the premises shall be replaced. Lessor and Lessee shall share equally the cost of such replacement. Lessee shall make arrangements for the purchase thereof and shall supervise the installation. In the event the anticipated cost of such replacement appears to exceed the sum of \$15,000, Lessee shall obtain approval from Lessor before ordering same.

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